

BANK INDONESIA REGULATION
NUMBER : 7/50/PBI/2005
CONCERNING
AMENDMENT TO BANK INDONESIA REGULATION
NUMBER 3/22/PBI/2001 CONCERNING
TRANSPARENCY OF FINANCIAL CONDITION OF BANKS
GOVERNOR OF BANK INDONESIA,

- Considering:
- a. whereas in order to accommodate the characteristics of banks conducting business activities under Sharia principles, namely the existence of Sharia Supervisory Board in the bank's organizational structure with a function to supervise and ensure that bank's products and operational activities are in accordance with Sharia principles;
 - b. whereas based on consideration set forth in letter a, it is necessary to amend the regulations on Transparency of Financial Condition of Banks in a Bank Indonesia Regulation;

- In view of:
- 1. Act Number 7 Year 1992 concerning Banking (State Gazette of The Republic of Indonesia Year 1992 Number 31,

Supplement to State Gazette of The Republic of Indonesia Number 3472) as amended by Act Number 10 Year 1998 (State Gazette of The Republic of Indonesia Year 1998 Number 182, Supplement to State Gazette of The Republic of Indonesia Number 3790);

2. Act Number 23 Year 1999 concerning Bank Indonesia (State Gazette of The Republic of Indonesia Year 1999 Number 66, Supplement to State Gazette Number 3843) as amended by Act Number 3 Year 2004 (State Gazette of The Republic of Indonesia Year 2004 Number 7, Supplement to State Gazette of The Republic of Indonesia Number 4357);

HAS DECREED:

To enact: BANK INDONESIA REGULATION CONCERNING
AMENDMENT TO BANK INDONESIA REGULATION
NUMBER 3/22/PBI/2001 CONCERNING TRANSPARENCY
OF FINANCIAL CONDITION OF BANKS

Article I

Several provisions in Bank Indonesia Regulation Number 3/22/PBI/2001 dated 13 December 2001 concerning Transparency of Financial Condition of Banks (State Gazette of The Republic of Indonesia Year 2001 Number 150, Supplement to State Gazette of The Republic of Indonesia Number 4159) are amended as follows:

1. Provisions in Article 19 are amended to be as follows:

Article ...

Article 19

- (1) The Public Accountant and Public Accountant's Office conducting audit on Bank Annual Financial Report shall be required to :
 - a. conduct audit in accordance to The Professional Standard of Public Accountants, as well as the working agreement and scope of audit as set forth in Article 18 ;
 - b. inform Bank Indonesia not later than 7 (seven) working days after finding:
 - 1) any violation of laws and regulations in the banking and financial sector; and
 - 2) any condition or estimated condition that may endanger the survival of the Bank ;
 - c. submit the audit report and *Management letter* as set forth in Article 18 paragraph (2) letter f number 1) and number 2) to Bank Indonesia ; and
 - d. comply with Bank secrecy regulation as set forth in Act Number 7 Year 1992 concerning Banking as amended by Act Number 10 Year 1998.
- (2) Other than complying with the provisions set forth in paragraph (1), Public Accountant and Public Accountant's Office conducting audit on a Bank whose business activities are performed under Sharia principles must also obtain the opinion from the Sharia Supervisory Board on the Bank's compliance in implementing Sharia principles prior to issuing the Audit Report on Bank Financial Report.

Board ...

- (3) Sharia Supervisory Board must provide the opinion as set forth in paragraph (2) to the Public Accountant.
- 2. Article 39 paragraph (2) is amended so that Article 39 becomes as follows:

Article 39

- (1) Any Public Accountant or Public Accountant's Office which materially violate the provisions as set forth in Article 19 paragraph (1) and paragraph (2) shall be liable to administrative sanctions as set forth in Article 53 Act Number 7 Year 1992 concerning Banking as amended by Act Number 10 Year 1998 as follows :
 - a. Striking of the name of the Public Accountant from The List of Public Accountants at Bank Indonesia;
 - b. Striking of the Public Accountant's Office from the list of Public Accountant' Offices at Bank Indonesia, if the violation was committed by 2 (two) Public Accountants as partners in charge in a Bank audit from the same Public Accountant's Office, except for a government agency as set forth in Article 23; and
 - c. recommendation to the authorized institution(s) for revocation or cancellation of operating license as provider of services to Bank in accordance with the applicable provisions or code of ethics.
- (2) Any Public Accountant or Public Accountant's Office failing to comply with Bank secrecy provisions as referred to in Article 19 letter d in addition to the administration sanctions as (2) Any ...

paragraph (1) shall also be liable to criminal sanctions as referred to in Article 47 paragraph (2) Act Number 7 Year 1992 concerning Banking as amended by Act Number 10 Year 1998.

Article II

- (1) The provisions as set forth in article 19 paragraph (2) shall start to take effect for the Annual Financial Report for end of 2006 position.
- (2) This Bank Indonesia Regulation shall come into force on the date of its enactment.

Enacted in Jakarta

On : 29 November 2005

GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2005
NUMBER 135

DPNP/DPbS

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER: 7/50/PBI/2005
CONCERNING
AMENDMENT TO BANK INDONESIA REGULATION NUMBER
3/22/PBI/2001
CONCERNING TRANSPARENCY OF FINANCIAL CONDITION OF
BANKS

GENERAL

One of the important pillar in implementing *Good Corporate Governance* in Indonesian banking system is the transparency of financial condition of Banks to the public. Banks whose activities are based on Sharia principles carry the responsibility to convince stakeholders that their products and operational activities had been performed in a transparent and accountable manner in terms of the fulfillment of general banking business management principles as well as Sharia principles, so that the public shall have no doubt in depositing their funds and allowing the bank to manage the funds. To this end, it is necessary to appoint a party to supervise/monitor and ensure that the operational activities of banks whose activities are based on Sharia principles are in line with Sharia principles.

In relation to the above, it is considered necessary to amend the regulation concerning the transparency of financial condition of Banks in

order ...

order to accommodate the role of the Sharia Supervisory Board in banks whose activities are based on Sharia principles.

ARTICLE BY ARTICLE

Article I

Number 1

Article 19 Paragraph (1)

Letter a

Self Explanatory

Letter b

Number 1)

Self Explanatory

Number 2)

Condition or estimated condition that may endanger the survival of Bank include but not limited to :

1. inadequate minimum capital adequacy requirement;
2. materially inadequate formation of Allowance for Earning Asset Losses ;
3. violation of the Legal Lending Limit;
4. inadequate Statutory Reserves;

5. fraud ...

5. fraud of material value

Letter c

Self Explanatory

Letter d

Self Explanatory

Article 19 Paragraph (2)

Sharia Supervisory Board (DPS) is the board which supervises/monitors the implementation of Sharia principles in bank operational activities.

In issuing an opinion on Bank compliance with sharia principles, the Sharia Supervisory Board must be guided by the Bank Indonesia regulatory provisions concerning the tasks and role of the Sharia Supervisory Board. The opinion of the Sharia Supervisory Board constitutes evidence for the audit and shall not influence the opinion of the Public Accounting in issuing an opinion.

Number 2

Article 39 Paragraph (1)

Letter a

Self Explanatory

Letter b

Letter b

The calculation of violations by 2 (two) Public Accountants responsible as partners in charge may be made during the same period or in a different period.

Letter c

The institutions authorized in this Paragraph are The Ministry of Finance and The Indonesian Association of Accountants

Article 39 Paragraph (2)

Self Explanatory

Article II

Self Explanatory